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SCHMIEDEMECCANICA

Forging and Metalworking
Schmiede- und Metallbearbeitung

Per send



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No of pages
including this



To	: Mr P. Williamson
Company	: FORGING DEVELOPMENTS INC.
Location	: Cleveland, USA
Fax No	: ..
From	: G. Martinelli

Date
Datum October 17, 1989

SMB SCHMIEDEMECCANICA..

Mr. Ian R. Williamson
FORGING DEVELOPMENTS INC.
Cleveland, Ohio, U.S.A.

Dear Ian,

I recovered well from my flu and hope you are also in best health.

I was absent until yesterday. Therefore I do apologize for my delay in sending you my reply.

I thank you for your letter of September 21, 1989, the content of which come to me as an unexpected surprise.

From the previous talks and correspondance you surely have seen that I did not have the easiest task in persuading the shareholders of SMB to buy 30% of FDI FOR US dollars 150.000.-.

I could only overcome the problem by overstressing the impact that SMB ENGINEERING would have in sharing some efforts with FDI. Furthermore the fact that FDI could buy 40 % of METFOR USA was a decisive point.

This was stated very clearly in my Fax of August 31, 1989 and was not put into any question or discussion during your visit in Munich of September 11, 1989. Therefore, all what you write on page 2 of your letter is very strange to us.

Personally I do not agree with most of your statements. I can assure you that before deciding to open a company in the U.S. we did our homeworks. We know it will not be easy but we are entrepreneurs and we know that every beginning is difficult. In any case we already have some interesting european companies who asked us to represent them in U.S.A.

After all, in our conversations I clearly explained to you that we were not interested in being the major shareholders (see the case of F.D.I.) but in participating, even on a minority base, of sound companies. Hence, if we would be the major shareholders of Metfor is not because we pretend to own the company but because this is an idea which was originated from our side and because we are willing to pay for it.

I also do not understand at this point, what are the pros and cons of F.D.I. Now can you be a neutral consultant and, in the same time, an agent of some plant manufacturers? This would automatically exclude FDI from having a normal relationship with other plant producers

Would it not be more convenient for F.D.I. to be a "non evident shareholder" of a company which is established with the specific objectives of selling plant items and perhaps some kind of software?

In any case, I am sorry but at this point I cannot defend anymore our participation into F.D.I. For sure, you and me share very similar feelings and interests for forging technology but we see the business world with different eyes.

I am now persuaded that if we both would buy eachother's shares, we would encounter a lot of complications to which I am not used. Of course this decision does not have to affect our friendly relationship. We can always exchange points of view and, why not, opportunities arise, we could do some business together. For instance, we are prepared to buy engineering services from F.D.I. in the same way as F.D.I. may intend to buy tooling or any kind of hardware from SMB.

Despite the fact that our discussions did not lead to a formal agreement, I think that these were fair and constructive and, for sure, we know better the capabilities of our companies.

Looking forward to meeting you again soon, I meanwhile remain with my best personal regards.

G. Martinelli
SMB - BIASCA

October 17, 1989

Jim

TRANSCRIBED COPY FOLLOWS

THIS WAS STATED VERY CLEARLY IN MY FAX OF AUGUST 31, 1989 AND WAS NOT PUT INTO ANY QUESTION OR DISCUSSION DURING YOUR VISIT IN [ILLEGIBLE] OF SEPTEMBER 11, 1989. THEREFORE, ALL WHAT YOU WRITE ON PAGE 2 OF YOUR LETTER IS VERY STRANGE TO US.

I ALSO DO NOT UNDERSTAND AT THIS POINT, WHAT ARE THE POLICIES OF F.D.I. HOW CAN YOU BE A NEUTRAL CONSULTANT AND IN THE SAME TIME AN AGENT OF SOME PLANT MANUFACTURERS ? THIS WOULD AUTOMATICALLY EXCLUDE F.D.I FROM HAVING A NORMAL RELATIONSHIP WITH THE PLANT PRODUCERS

WOULD IT NOT BE MORE CONVENIENT FOR F.D.I. TO BE A "NON EVIDENT SHAREHOLDER" OF A COMPANY WHICH IS ESTABLISHED WITH THE SPECIFIC OBJECTIVES OF SELLING PLANT ITEMS AND PERHAPS SOME KIND OF SOFTWARE?

I AM NOW PERSUADED THAT IF WE BOTH WOULD BUY EACH OTHER'S SHARES, WE WOULD ENCOUNTER A LOT OF COMPLICATIONS TO WHICH I AM NOT USED. OF COURSE THIS DECISION DOES NOT HAVE TO AFFECT OUR FRIENDLY

RELATIONSHIP. WE CAN ALWAYS EXCHANGE POINTS OF VIEW AND, WHY NOT, IF OPPORTUNITIES ARISE, WE COULD DO SOME BUSINESS TOGETHER. FOR INSTANCE, WE ARE PREPARED TO BUY ENGINEERING SERVICES FROM F.D.I. IN THE SAME WAY AS F.D.I. MAY INTEND TO BUY TOOLING OR ANY KIND OF HARDWARE FROM SMB.

DESPITE THE FACT THAT OUR DISCUSSIONS DID NOT LEAD TO A FORMAL AGREEMENT, I THINK THAT THESE WERE FAIR AND CONSTRUCTIVE AND, FOR SURE, WE KNOW BETTER THE CAPABILITIES OF OUR COMPANIES.